ANNUAL REPORT

OF

THE TENNESSEE PUBLIC SERVICE COMMISSION

For the Year 1988

TENNESSEE PUBLIC SERVICE COMMISSION

Nashville, Tennessee

TENNESSEE PUBLIC SERVICE COMMISSION

460 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37219

FRANK COCHRAN, CHAIRMAN
KEITH BISSELL, COMMISSIONER
STEVE HEWLETT, COMMISSIONER

PAUL ALLEN, EXECUTIVE DIRECTOR
HENRY M. WALKER, GENERAL COUNSEL

December 31, 1988

The Honorable John S. Wilder
Speaker of the Senate
Legislative Plaza/Room 1
Nashville, Tennessee 37219

The Honorable Ed Murray
Speaker of the House of Representatives
Legislative Plaza/Room 19
Nashville, Tennessee 37219

Dear Gentlemen:

In accordance with the provisions of Title 65, Section 116, Tennessee Code Annotated, we herewith submit to you the Annual Report for the period beginning January 1, 1987, ending December 31, 1988, of the Tennessee Public Service Commission.

We have endeavored to present, as briefly as possible, a summary of the details of the regulatory accomplishments of this Commission.

Respectfully submitted,

FRANK COCHRAN
CHAIRMAN

KEITH BISSELL
COMMISSIONER

STEVE HEWLETT
COMMISSIONER

TABLE OF CONTENTS

Letter of Transmittal..... 1

Commissioners..... 2

Commissioners & Staff..... 4

Organizational Chart..... 5

Composition of Commission..... 6

Duties of the Commission..... 8

What the Commission Does Not Do..... 10

Subjects of the Commission's Jurisdiction..... 11

Executive Director..... 12

Appropriations, Fees and Expenses..... 14-15

Abstract of Minutes..... 16

Administrative Section..... 21

Accounting Division..... 22

Assessment Division..... 36

Data Processing Division..... 41

Gas Pipeline Safety..... 44

Legal Division..... 46

Motor Carrier Division..... 48

Railroad Division..... 50

Telecommunication Office..... 52

Transportation Rate Division..... 55

Utility Service Division..... 56

COMMISSIONERS

FRANK COCHRAN, CHAIRMAN

Home, Tiptonville, Tennessee. Education - University of Tennessee at Martin, David Lipscomb College, University of Tennessee at Knoxville, University of Tennessee College of Law - Doctor of Jurisprudence. Four Term State Legislator, one term as House Floor Leader and two terms as Committee Chairman. City Attorney and City Judge in Tiptonville. County Attorney for Lake County. Honored twice by National Jaycees as one of the "Outstanding Young Men in America." Member of Church of Christ. Married to former Patsy Whitfield. Two sons, Kent and Craig. Elected to a six-year term in November 1976 and 1982, and reelected to a six-year term in November 1988.

KEITH BISSELL, COMMISSIONER

Born in Oak Ridge, Tennessee. Attended Oak Ridge Public Schools. Served four years in the United States Air Force. Earned a B.S. Degree in Business Administration with a major in Transportation from the University of Tennessee at Knoxville. Worked as Director of the Transportation Rate Division of the Tennessee Public Service Commission from 1966-1970 while attending night law school in Nashville. In 1980, earned a Doctorate of Jurisprudence Degree and was elected to the Tennessee General Assembly. Elected to four terms in the Legislature during which time he served as Chairman of the House Labor and Consumer Affairs Committee, and the House Sub-Committee on Energy, Majority Whip, as a member of the National Conference of State Legislatures' Energy Task Force, and as a member of a special legislative committee established to study utilities and utility district legislation. Member of the Oak Ridge Jaycees, the Elks Club, the Eagles Club, the American Veterans' Club, the Claxton Optimist Club, and the Anderson County Bar Association. Member of the Brentwood United Methodist Church. Married to Patricia Bissell. Two daughters, Debbie and Kelly.

STEVE HEWLETT, COMMISSIONER

Commissioner Steve Hewlett is the newest member of the Tennessee Public Service Commission, having joined the Commission in January 1987.

Commissioner Hewlett became a member of the Commission after nineteen years in the private sector in residential construction, residential real estate and commercial and residential development.

He received his undergraduate degree from Belmont College in Nashville, Tennessee, and began his work career as a teacher in the Davidson County School System in Nashville.

He remains very active in civic, charitable, and business organizations in Nashville and Tennessee. He also serves as a member of the National Board of Directors of the National Association of Homebuilders.

Commissioner Hewlett and his wife, Mary Lynne, have three children--Stephanie, Abby, and Andrew.

COMMISSIONERS

FRANK COCHRAN, CHAIRMAN
KEITH BISSELL, COMMISSIONER
STEVE HEWLETT, COMMISSIONER

EXECUTIVE DIRECTOR.....PAUL ALLEN

ADMINISTRATIVE OFFICER.....JOHN GUENTHER

ACCOUNTING.....WHITFIELD BURCHAM

ASSESSMENT.....BARRY MURPHY

DATA PROCESSING.....ANITA CLARK

GAS SAFETY PROGRAM.....GLYNN BLANTON

GOVERNMENTAL AFFAIRS.....BOB DAVIS

LEGAL.....HENRY WALKER

MOTOR CARRIER.....GARY HOLBROOK

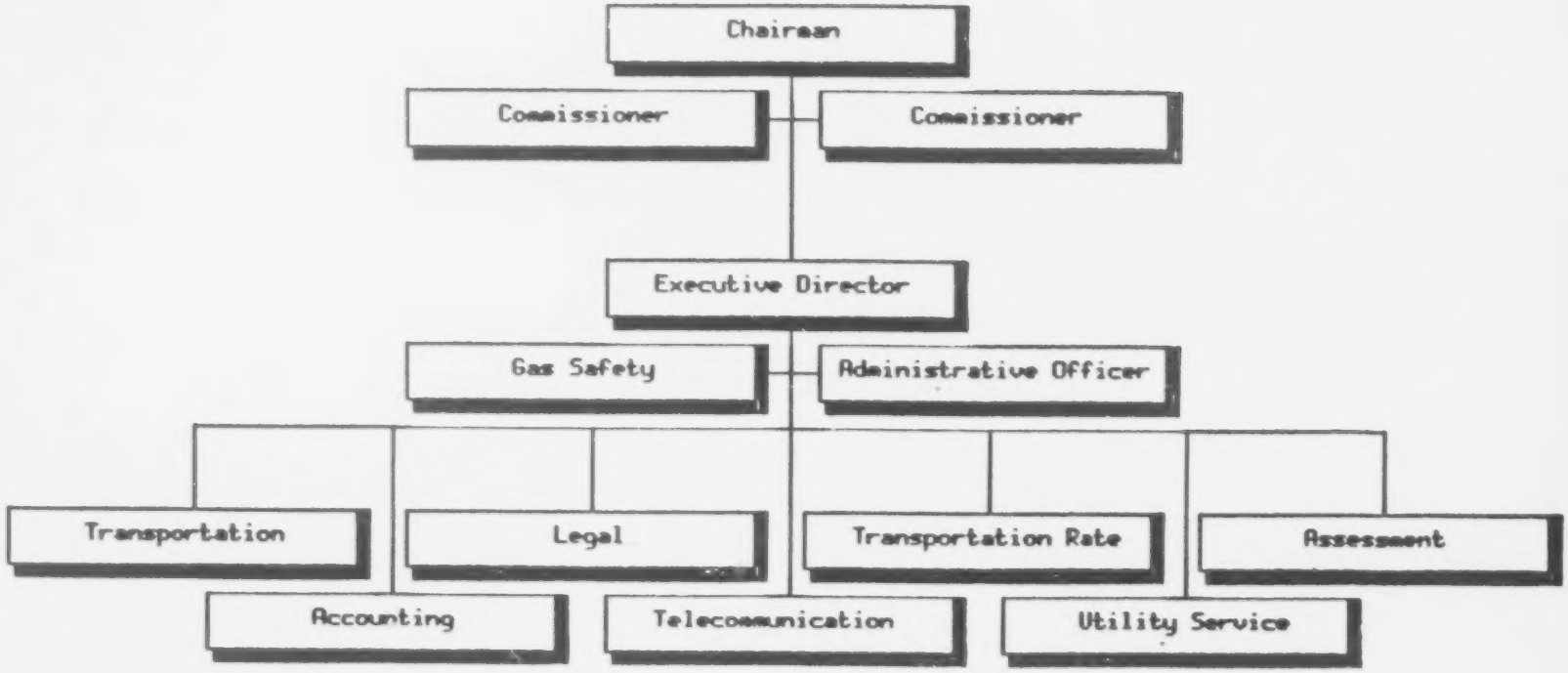
RAILROAD.....GORDON SMITH

TELECOMMUNICATION.....TED TINGLEY

TRANSPORTATION RATE.....DON WINGO

UTILITY SERVICE.....DON MCGEHEE

December 31, 1988


Chairman
Commissioner
Commissioner
Executive Director
Gas Safety
Administrative Officer
Transportation
Legal
Transportation Rate
Assessment
Accounting
Telecommunication
Utility Service

TENNESSEE PUBLIC SERVICE COMMISSION

ITS COMPOSITION, PURPOSES, AND FUNCTIONS

The Tennessee Public Service Commission consists of three elected members. Each Commissioner's term of office is for six years, one member being elected biennially in a statewide election to succeed the Commissioner whose term expires next after said election. By statute, each grand division of the State of Tennessee has a representative member of the Commission, and the Commissioners themselves elect a Chairman biennially.

The Commission is a statutory body with several basic functions delegated it by the Legislature. Primarily these may be stated as the supervision of all aspects of railroads, motor carriers, and utilities that perform services within the boundaries of Tennessee (intrastate) and the assessment of all county and municipal ad valorem taxes of these utilities. The Commission's legislative powers include the making of all necessary rules for utility operations, including the operating rates and the complete administration of these rules. Further, it has quasi-judicial powers including decisions concerning public convenience and necessity and the authority of decisions concerning any conflicts or controversies arising from utility operations.

No governmental agency, state or national, has a more profound impact upon the daily lives of Tennessee residents than does the Tennessee Public Service Commission.

Under the Commission's jurisdiction are those things supplied by private enterprise which people of the State must have: light, power, heat, communication and transportation. Private residences or managers of vast industry who trip an electric switch, adjust a thermostat, lift a telephone receiver, ride a public carrier, and who ship or receive commodities by rail or motor carrier are, to some degree, affected by the responsibility of the Commission to see that adequate service is provided at a reasonable charge.

State regulation of privately owned and operated utilities is a product of the democratic system. In essence, the primary purpose of the Tennessee Public Service Commission is to insure service to the public at fair and just rates by the utilities which it regulates.

Today's public utility, to a large extent, is owned by the same public which it serves through the continuing expansion of its stock ownership. Destruction, through regulation in the guise of public benefit, would devastate

the public investors in the private utilities as well as the public customers of that utility.

In its own area, each utility subject to regulation by the Tennessee Public Service Commission has, in a broad sense, a monopoly. When overlapping or when in potential conflict in competition, these utilities must show necessity for their services, the ability to serve at a reasonable price, and long-range benefits to the public. Wasteful competition by duplication of services would be at public cost. Destructive competition eventually could victimize the public.

The Tennessee Public Service Commission has jurisdiction over privately owned electric companies, telephone companies, water companies, gas companies, inter-exchange long distance carriers, power transmission companies, sewerage companies, mobilphone companies, railroad companies, express companies, motor truck companies, motor bus companies, tour bus companies, and limousine companies.

DUTIES OF THE COMMISSION

The Legislature has vested in the Tennessee Public Service Commission certain broad and general powers which have been judicially recognized and affirmed by the Supreme Court of Tennessee. These may be generally summarized as follows:

(1) Legislative powers which include the making of rules. A familiar example of this function is the Commission's duty of prescribing regulations including rates to be observed by public service companies.

(2) Administrative powers which include the application of the rules prescribed and the application of the laws enacted by the Legislature in particular.

(3) Quasi-judicial powers which include the decision of controversies arising within the jurisdiction of the Commission as well as the holding of hearings to determine that which meets the public convenience and necessity.

Some of the routine duties of the Commission which are performed regularly and which fall under the broad general headings heretofore outlined are as follows: The maintenance of current calculations for rate-making purposes of all utilities; the checking of monthly and annual operating reports; the computation of rates of return of companies subject to the Commission's jurisdiction; the investigation, determination, and fixing of just and reasonable rates; the making of investigations, and the holding of hearings; the determination of the propriety of granting certificates of convenience and necessity to public utilities and motor carriers making application therefore, after public hearing; cooperation with federal agencies with powers parallel to those of the Tennessee Public Service Commission including the Federal Communications Commission, the Federal Energy Regulatory Commission, and the Interstate Commerce Commission for the purpose of coordinating regulation and the protection of the interests of Tennessee and its citizenry; the valuation and assessment annually of all railroad, utility and motor carrier properties in the State for county and municipal ad valorem purposes.

The Tennessee Public Service Commission works in conjunction with the Department of Transportation, Office of Pipeline Safety, in enforcing safety standards for transportation of gas by pipeline. Under the jurisdiction of the Commission for this purpose are privately owned gas companies, gas utility districts, municipal gas operations, and Federal housing projects.

There are various other duties performed by the Commission under its own rules and regulations, all of which are related in one way or another to the rates, services, capital structure, income, reports and systems of accounts of the companies operated within the State of Tennessee over which the Commission has jurisdiction.

The Tennessee Public Service Commission meets in regular session referred to as the "Commission Executive Conference" on the first, third and fifth Tuesday of each month. These are public meetings open to the public and the minutes of each meeting are fully recorded and are open to public inspection. These meetings are held in compliance with Chapter 442, Public Act of 1974, commonly referred to as the "Sunshine Law."

WHAT THE COMMISSION DOES NOT DO

The Commission is excluded by Tennessee law from any jurisdiction to regulate the rates, services or operations of a number of enterprises generally considered to be public utilities. These include:

(1) Any water, gas (except for safety), electric, or similar utility system owned or operated by any agency of the United States, the State of Tennessee, or any county or incorporated town or city in Tennessee, and any transportation system so owned or operated. (Section 65-401, Tennessee Code Annotated).

(2) Any water, gas (except for safety), or similar utility system organized and operating as a utility district under the Utility District Law of 1937. (Section 6-2613, Tennessee Code Annotated).

(3) Any electric and telephone cooperative not organized or doing business for profit. (The sole jurisdiction over such cooperative which the Commission has is to assess their properties for county and municipal taxation). (Section 65-401; 65-2530; Tennessee Code Annotated).

(4) Any bus carrier of passengers, operating exclusively within the corporate limits of any municipality or within a distance of two to seven miles outside such limits, depending on the population of the city. The rates, services and operations of such companies are regulated exclusively by the cities in which they operate. (Section 65-1001, Tennessee Code Annotated).

The members of the Commission and its staff frequently receive calls and letters making complaints about some phase of the operation of these non-regulated enterprises; but due to the limits placed on its authority by the Tennessee Legislature, the Commission lacks jurisdiction to handle such complaints.

SUBJECTS OF THE COMMISSION'S JURISDICTION

As of December 31, 1988, the railroads, motor carriers, and public utilities, subject to the jurisdiction of the Tennessee Public Service Commission were by approximate number and general classification as follows:

Motor Bus Companies	806
Motor Truck Companies:	
ICC Regulated Carriers	13,233
Exempt Carriers	8,440
Private Car Companies	225
*Public Utilities	317
Railroads	21
**Airline Companies	25
Barge Line Companies	14

*The Term "Public Utility" applies generally to all of the above but specifically in this instance to the following which are included in the composite figure:

Electric Companies	3
**Electric Cooperatives	25
***Gas Companies, Utility District & Municipalities	93
***Transmission Lines Direct Sales Customers	17
***Housing Authorities, Apartments, & Mobile Home Parks	74
Mobilphone Companies	12
Pipeline Companies	17
Power Transmission Companies	3
Telephone Companies	18
**Telephone Cooperatives	10
Telephone Long Distance Companies	20
Water & Sewerage Companies	14
Cellular Telephone Companies	11

**Airline, Water Transportation Carriers, Electric Cooperative and Telephone Cooperative Companies are under the Commission's jurisdiction only for Ad Valorem Tax Assessment

***Utility Districts and Municipalities are under the jurisdiction of the Tennessee Public Service Commission insofar as gas safety is concerned. Pipeline companies are under this Commission's jurisdiction insofar as gas safety is concerned and for Ad Valorem Assessment.

EXECUTIVE DIRECTOR

Obviously, the three Commissioners cannot perform the numerous duties of their offices without extensive and expert assistance.

This is provided in a staff organization consisting of an Executive Director, 11 divisions, administrative office, budget and personnel sections.

These are assisted by a field staff of railroad safety inspectors, motor carrier enforcement officers, gas safety inspectors, and utility investigators who help see that the rules and regulations of the Commission are enforced.

The Executive Director performs both the role of Secretary and that of Executive Director and is responsible for planning, directing, and coordinating the entire operation of the Commission. The Executive Director is delegated the responsibility and authority to direct the internal operations of the Commission. This includes the development of administrative policies and procedures including fiscal and personnel procedures.

The Executive Director, with the assistance of those working under his supervision, relieves the Commissioners of many administrative tasks that formerly consumed much of their time. The Director is authorized by the Commission to take necessary action to require that the duties, responsibilities, and assignments of the divisions of the Commission are accomplished in an effective and efficient manner, and to issue directives to the employees of the Commission to achieve that objective. Generally, the duties of the Executive Director are as follows:

(1) Custodian of the official records of the Commission.

(2) Develop and review internal administrative policies and procedures.

(3) Plan, direct and coordinate the administrative activities of the Commission's staff.

(4) Coordinate and expedite matters pending before the Commission.

(5) Develop effective fiscal and personnel management.

(6) Serve as Personnel Officer.

(7) Assist in keeping the public advised of the responsibilities and the duties of the Public Service Commission.

Under the direct supervision of the Executive Director are the Main Office Section, the Administrative Section, the Budget Section and the Personnel Section. The main duties of these sections are as follows:

Main Office Section

1. Scheduling of hearings.
2. Maintain list of all pending dockets.
3. Preparation of certifications to Chancery Court.
4. Maintain ledger of accounts receivable for certified copies, transcripts, and xerox copies; and sends invoices for these documents.
5. Keep the Minute Book.
6. Maintain file of all original orders.
7. Maintain permanent records of all hearings.
8. Maintain record of all files sent to Archives.
9. Record word-by-word proceedings of all formal hearings.
10. Upon request prepare transcripts of hearings.
11. Edit, publish, and distribute the Commission's reports, rules, and regulations.

Budget Section

1. Preparation of the budget.
2. Audit and control of expenditures.
3. Collect and deposit receipts.
4. Maintain all fiscal reports of the Commission.
5. Process travel claims.
6. Process requests for purchases.

Personnel Section

1. Preparation of the payroll.
2. Maintain personnel records.
3. Handle insurance and retirement matters

APPROPRIATIONS, FEES & EXPENSES

FOR FISCAL YEAR 1986-1987, THE GENERAL ASSEMBLY APPROPRIATED $7,665,691 FOR THE OPERATION OF THE TENNESSEE PUBLIC SERVICE COMMISSION. EXPENDITURES WERE $7,665,691.

FOR FISCAL YEAR 1987-1988, THE GENERAL ASSEMBLY APPROPRIATED $9,853,000 FOR THE OPERATIONS OF THE TENNESSEE PUBLIC SERVICE COMMISSION. EXPENDITURES WERE $9,402,738.

DISBURSEMENTS

	1986-1987	1987-1988
Personal Services & Employees' Benefits	$6,095,541	$6,904,535
Travel	598,998	699,466
Printing & Duplicating	38,303	52,206
Utilities & Fuel	14,365	18,014
Communications & Shipping Costs	222,694	257,273
Maintenance & Repairs	18,632	25,676
Professional & Administrative Services	277,930	568,388
Supplies	164,461	271,530
Rental & Insurance	123,140	125,005
Motor Vehicle Operation	38,077	33,827
Awards & Indemnities	41	526
Grants & Subsidies	48,479	38,976
Equipment	24,653	165,538*
Buildings	379	241,778
TOTAL	$7,665,691	$9,402,738

*Including encumbrances

REVENUE FEES

1986-1987

1.	RAILROAD INSPECTION.....	$ 211,044.00
2.	CERTIFIED COPY.....	$ 90.00
3.	UTILITY FILING FEE.....	$ 1,425.00
4.	MOTOR CARRIER INSPECTION.....	$2,452,389.00
5.	UTILITY INSPECTION.....	$2,426,873.00
6.	MOTOR CARRIER FILING FEE.....	$ 106,096.00
7.	DEPARTMENTAL REVENUE.....	$3,852,680.00
	TOTALS.....	$9,050,597.00

REVENUES FEES

1987-1988

1.	RAILROAD INSPECTION.....	$1,083,934.00
2.	CERTIFIED COPY.....	$ 126.00
3.	UTILITY FILING FEE.....	$ 1,550.00
4.	MOTOR CARRIER INSPECTION.....	$2,500,194.00
5.	UTILITY INSPECTION.....	$2,495,297.00
6.	MOTOR CARRIER FILING FEE.....	$ 112,163.00
7.	DEPARTMENTAL REVENUE.....	$4,445,040.00
	TOTALS.....	$10,638,304.00

ABSTRACT OF MINUTES

The abstract of minutes of the Tennessee Public Service Commission submitted hereafter covers the period from January 1, 1987 to December 31, 1988.

The minutes of the Tennessee Public Service Commission are kept on permanent file in the office of the Executive Director. These are available to the public for inspection at all times. The Official Minutes show every action taken by the Commission. The abstract of minutes are recorded in permanent bount volumes and are prepared in a manner permitting immediate reference to the actions of the Commission. The following data are submitted in connection with each item of business:

(1) Docket number.
(2) Name of Applicant or Petitioner
(3) Subject matter of application or petition.
(4) Date of Final Order
(5) A summary of the Commission's action relative to the matter.

An abstract or condensation of the Minutes is as follows:

	1987	1988
Motor Carrier Related Actions.....	13,401	10,118
Utility Related Actions.....	200	176
Railroad Related Actions.....	79	35
Final Orders Written.....	6,649	5,044
Filings Received By Commission.....	6,648	4,965

UTILITIES

Applications for Certificates of Convenience and Necessity:

	1987	1988
Filed.....	7	8
Granted.....	2	4
Denied.....	0	2
Dismissed.....	2	1
Pending.....	9	9

Applications for Approval of Franchise & Political Subdivisions:

	1987	1988
Filed	3	1
Granted	1	3
Denied	0	0
Dismissed	2	0

Applications & Petitions For Approval of Financing:

	1987	1988
Filed	16	8
Granted	19	11
Amended	0	0
Denied	0	0
Pending	3	1

Applications For Approval of Transportation Contracts

	1987	1988
Filed	6	7
Granted	6	6
Dismissed	1	1
Pending	0	0

Applications & Petitions For Rate Revisions

	1987	1988
Filed	18	6
Granted	12	12
Amended	0	0
Denied	0	1
Dismissed	2	1
Withdrawn	3	1
Pending	11	3

MISCELLANEOUS

	1987	1988
Filed	16	15
Granted	9	16
Denied	0	3
Dismissed	2	3
Withdrawn	0	1
Pending	14	9

MOTOR CARRIERS

	1987	1988
Certificates of Convenience & Necessity	63	64
Emergency Temporary Authority	18	9
Contract Hauler's Permit	28	34
Interstate Permit	2,843	3,222
Exempt Intrastate Permit	759	810
Total Applications Filed	3,709	4,139

Applications For New Certificates of Convenience & Necessity:

	1987	1988
Filed	63	64
Granted	33	45
Denied	3	4
Amended	2	2
Dismissed	10	24
Pending	40	36

Applications For New Contract Hauler's Permits:

	1987	1988
Filed	28	34
Granted	30	28
Denied	0	1
Amended	1	1
Dismissed	3	5
Pending	6	13

Applications for Emergency Temporary Authority:

	1987	1988
Filed	18	9
Granted	8	9
Denied	10	4
Amended	1	0
Dismissed	1	1
Pending	1	0

Petitions For Transfer of Certificates & Names Changes:

	1987	1988
Filed	195	122
Approved	9	11
Amended	0	1
Dismissed	1	3
Denied	1	2
Petitions Pending	5	5

Petitions To Intervene:

	1987	1988
Filed	223	210
Granted	223	210

SMC Dockets Filed	9	2
Show Cause Orders	3	0
Certificates or Permits cancelled, suspended and reinstated	2,382	420

RAILROADS

Applications/Petitions for Minimum Clearance Exceptions

	1987	1988
Filed	1	0
Granted	2	0
Denied	0	0
Pending	0	0

Applications/Petitions For Track Removal/Abandonment:

	1987	1988
Filed	24	5
Granted	21	8
Denied	0	0
Withdrawn	0	0
Pending	5	2

Show Cause Orders:

	1987	1988
Issued	3	0
Dismissed	1	2
Pending	2	0

Petition To Close Stations:

	1987	1988
Filed	8	8
Granted	7	5
Withdrawn	0	1
Pending	2	4

	1987	1988
Miscellaneous Petitions & Miscellaneous Matters	3	2

COMMISSION HEARINGS

	MC	RR	Utility
Number of Hearings in 1987:	104	4	15
Number of Hearings in 1988:	109	2	16

ADMINISTRATIVE DIVISION

The Administrative Section is a Section of the Executive Director's Office, under the supervision of the Administrative Officer. The office is staffed with seven employees. A brief summary of the responsibilities of the Section would include the following:

The Administrative Section maintains all Commission docket files in its central filing system. This Section is responsible for the supervision of a continuing records management program for the Commission. All records and forms duplication is coordinated in the Administrative Section.

The Administrative Section is responsible for purchasing and distributing all equipment and supplies. The maintenance of inventory of equipment and supplies is also a function of this Section.

The Administrative Section serves as an office support system for all divisions within the Commission. The building maintenance and grounds supervision is also a responsibility of the Section.

This section is also responsible for the distribution of Commission mail.

ACCOUNTING DIVISION

The Accounting Division has two primary functions. One is to submit various types of financial data to the Commission to use in formal rate proceedings, and the other is to establish and supervise the several uniform systems of accounts adopted by the Commission. In order for effective regulatory control to be possible, utilities providing similar services of similar size must use the same accounting systems.

In conducting its primary function, the Accounting Division is divided into four sections which perform audits and analyses of utility financial information.

1. The Compliance Section conducts audits to determine if utilities are complying with applicable Uniform System of Accounts and other Commission rules, regulations and directives.

2. The Revenue Requirements and Special Studies Section conducts audits to determine if financial data submitted by utilities in formal rate proceedings is proper for the Commission to use to set just and reasonable rates. Additionally, this section reviews financial statements submitted during the year to determine if the utility earnings are too high. This section also reviews all PGA filings and requests for depreciation rate changes.

3. The Management Audit Section conducts audits to enhance efficiency and facilitate the achievement of organizational objectives by recommending improvements in the day-to-day operations of the management of the utility.

4. The Tariff Section reviews, interprets and oversees the implementation of rules, regulations and rates as approved by the Commission. This section also recommends appropriate rate structures to the Commission in formal hearings.

Utilities under the Commission's jurisdiction are required to submit various monthly, quarterly and annual financial reports to the Accounting Division. These reports are carefully analyzed and scrutinized as part of the Commission's "constant surveillance" policy. The reports are filed and used as reference material in preparing technical reports in connection with formal rate cases, earnings review analyses, depreciation rate studies, and various statistical reports. These reports and studies

allow the Commission to keep abreast of the current earnings performance of the utilities under its regulatory authority.

Members of the Accounting Division participate in public rate hearings for the purpose of submitting expert testimony and exhibits relating to accounting matters. Another function of the Division is to analyze all accounting data submitted by the applicatn in such rate cases and in conjunction with the Legal Division, prepare cross-examination of the applicants' exhibits and testimony.

The Accounting Division also prepares general statistical data pertaining to all utilities which reflects, among other things, comparative revenue, expense, and investment per customer of the various utilities. A small part of this statistical data is embodied in this report. This information serves as a useful tool in all functions of the Accounting Division.

Another task assigned to the Accounting Division is the billing, collection and verification of all inspection fees paid by utilities and railroads as prescribed in T.C.A. Section 65-4-301 or other entities whom the Commission has authority to inspect under the gas safety program.

The primary duties of the Accounting Division are more fully presented below:

1. General Accounting
   a. Drafting Systems of Accounts.
   b. Promulgation of accounting rules and regulations.
   c. Interpretation of System of Accounts and explanation of accounting rules and regulations.
   d. Advice relative to all matters of accounting affecting regulation.

2. Audit and Field Investigations
   a. Rate case audits.
   b. General compliance audits.
   c. Audit of monthly, quarterly and annual reports.
   d. Field investigations of small companies for the purpose of verifying or assisting with preparations of reports.
   e. Internal audit of motor carrier fees.
   f. Financial Integrity Act review of internal controls.

3. Rate Case Audits
   a. Analysis of testimony and exhibits filed in connection with applications for rate increases.
   b. Assist with cross-examination of witnesses.
   c. Preparation of accounting testimony and exhibits filed on behalf of the staff.
   d. Studies of reports and budget estimates of the company under consideration and comparisons with other utilities.
   e. Forecasted estimates of plant, revenues, expenses, rate of return, capital structure and other information as appropriate.
   f. Assist in preparation of legal briefs and proposed orders.

4. General Compliance Audits
   a. Determine use of appropriate system of accounts.
   b. Determine compliance with other Commission Orders and directives.
   c. Determine proper treatment for financial transactions.
   d. Issue audit reports setting forth audit exceptions and recommendations.

5. Management Audit
   a. Review and evaluate effectiveness and efficiency of public utilities.
   b. Make recommendations for improvements in utility operations.
   c. Special projects as assigned.

6. Tariff Review and Analysis
   a. Initial review of tariff changes filed in connection with general rate proceedings.
   b. Initial review of filings for new tariffs according to PSC Rule 1200-4-1-.06.
   c. Accumulate and analyze data supporting the tariff changes and new filings.
   d. Make recommendations on tariff filings to Commission for its consideration.
   e. Investigate tariff inquiries and complaints from customers.

7. Report Analysis
   a. Review of monthly, quarterly and annual reports of utilities operating in Tennessee.
   b. Preparation of monthly and quarterly earnings reports.
   c. Annual review of earnings for all utilities.
   d. Preparation and modification of report forms when such cannot be obtained from other authorities.

8. Statistical
   a. General data pertaining to all utilities.
   b. Detailed data prepared on a per customer or unit basis for comparison purposes.
   c. Other data as required.

Summary of Regulated Utilities Investments, Reserves, Revenues and Expenses

The Accounting Division prepares general statistical data which it uses to study each regulated utility. The statistics emodied in this report are a composite of all privately owned telephone, gas, water, mobilphone, and long distance interexchange carrier utilities and the related customer growth which has taken place within the time period shown.

In 1983, the total "average gross plant investment" for all utilities was $3,355,451,635. In 1987, the average had grown to $3,940,646,302 representing a growth of $585,194,667. This growth in investment was necessitated by an increase in the number of customers served, ordinary retirement of old plant and technological advances requiring replacement of obsolete equipment.

During this same period, annual operating revenues increased $360,424,376, with a corresponding increase in annual operating expenses of $345,452,592.

The changes which have taken place in net operating income can be best exemplified by viewing statistical sheets of the separate utilities in the following pages.

The rate of return realized on net plant is presented in the following statistical data for each utility area and generally reflects the earnings available to support the debt and equity capital.

SUMMARY OF TENNESSEE PRIVATELY OWNED GAS INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMER DATA

	1983	1984	1985	1986	1987
PLANT					
Average Gross Plant in Service	$ 149,490,149	$ 159,089,608	$ 175,580,405	$ 190,962,048	$ 223,810,047
Average Depreciation Reserve	55,134,295	59,256,722	65,785,152	70,372,678	79,165,656
Average Net Plant in Service	$ 94,355,854	$ 99,832,886	$ 109,795,253	$ 120,589,370	$ 144,644,391
REVENUES and EXPENSES					
Operating Revenues	$ 268,377,085	$ 269,970,974	$ 261,327,520	$ 217,189,293	$ 203,551,449
Depreciation Expense	5,423,611	5,947,720	6,790,467	7,371,901	8,492,161
Operating Taxes	9,111,768	16,333,129	9,807,226	10,523,704	12,929,807
Purchased Gas Expense	220,106,188	205,636,795	204,950,708	155,416,129	132,515,606
Other Operating Expenses	25,346,586	28,133,505	30,663,371	33,442,202	35,907,318
Total Operating Expenses	$ 259,988,153	$ 256,051,149	$ 252,211,772	$ 206,753,936	$ 189,844,892
Net Operating Income	$ 8,388,932	$ 13,919,825	$ 9,115,748	$ 10,435,357	$ 13,706,557
Rate of Return */	8.89%	13.94%	8.30%	8.65%	9.48%
CUSTOMER DATA					
Residental Customers	107,301	112,199	117,585	121,888	132,018
Commercial, Industrial and Other Customers	26,388	27,852	28,884	30,064	31,749

*/ Ratio of net operating income to net plant.

SUMMARY OF TENNESSEE PRIVATELY OWNED TELEPHONE INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMERS DATA

	1983	1984	1985	1986	1987
PLANT					
Average Gross Plant in Service	$ 3,124,215,092	$ 3,086,934,544	$ 3,083,474,165	$ 3,282,572,617	$ 3,491,108,840
Average Depreciation Reserve	637,978,697	693,023,839	774,745,643	916,945,980	1,085,764,972
Average Net Plant in Service	$ 2,486,236,395	$ 2,393,910,705	$ 2,308,728,522	$ 2,365,626,637	$ 2,405,343,868
REVENUES and EXPENSES					
Operating Revenues	$ 1,261,480,609	$ 1,115,818,254	$ 1,249,885,165	$ 1,309,904,829	$ 1,372,107,580
Depreciation Expense	196,968,479	174,575,375	214,227,469	241,750,236	314,327,087
Operating Taxes	226,894,998	208,811,716	230,096,687	231,144,078	202,546,840
Other Operating Expenses	602,468,941	514,368,777	562,497,319	593,089,896	613,815,887
Total Operating Expenses	$ 1,026,332,418	$ 897,755,868	$ 1,006,821,475	$ 1,065,984,210	$ 1,130,689,814
Net Operating Income	$ 235,148,191	$ 218,062,386	$ 243,063,690	$ 243,920,619	$ 241,417,766
Rate of Return */	9.46%	9.11%	10.53%	10.31%	10.04%
CUSTOMER DATA					
Business Access Lines	424,545	424,089	469,965	497,210	529,122
Residential Access Lines	1,462,565	1,505,669	1,543,955	1,584,812	1,654,814
Total	1,887,110	1,929,758	2,013,920	2,082,022	2,183,936

*/ Ratio of net operating income to net plant.

SUMMARY OF TENNESSEE PRIVATELY OWNED WATER AND SEWER INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMERS DATA

	1983	1984	1985	1986	1987
PLANT					
Average Gross Plant in Service	$ 70,709,581	$ 72,777,132	$ 74,657,274	$ 78,265,658	$ 82,030,877
Average Depreciation Reserve	13,046,969	13,980,501	15,175,675	16,432,572	17,444,981
Average Net Plant in Service	$ 57,662,612	$ 58,796,631	$ 59,481,599	$ 61,833,086	$ 64,585,896
REVENUES and EXPENSES					
Operating Revenues	$ 17,583,898	$ 18,639,099	$ 19,009,048	$ 20,095,346	$ 20,729,627
Depreciation Expense	1,218,209	1,273,012	1,327,703	1,344,465	1,417,174
Operating Taxes	2,884,562	3,220,465	3,476,992	3,655,706	3,448,352
Other Operating Expenses	8,419,198	9,011,046	9,437,678	9,970,038	10,804,269
Total Operating Expenses	$ 12,521,969	$ 13,504,523	$ 14,242,373	$ 14,970,209	$ 15,669,795
Net Operating Income	$ 5,061,929	$ 5,134,576	$ 4,766,675	$ 5,125,137	$ 5,059,832
Rate of Return */	8.78%	8.73%	8.01%	8.29%	7.83%
CUSTOMER DATA					
Residental Customers	58,008	57,273	58,397	61,814	62,500
Commercial, Industrial and Other Customers	6,922	7,003	7,131	7,249	7,404

*/ Ratio of net operating income to net plant.

SUMMARY OF TENNESSEE PRIVATELY OWNED MOBILPHONE INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMERS DATA

	1983	1984	1985	1986	1987
PLANT					
Average Gross Plant in Service	$ 11,036,813	$ 12,945,005	$ 10,616,794	$ 8,621,751	$ 8,736,538
Average Depreciation Reserve	5,490,191	5,959,096	4,481,521	3,252,175	3,387,884
Average Net Plant in Service	$ 5,546,622	$ 6,985,909	$ 6,135,273	$ 5,369,576	$ 5,348,654
REVENUES and EXPENSES					
Operating Revenues	$ 7,139,821	$ 8,703,527	$ 6,602,579	$ 7,267,738	$ 7,720,133
Depreciation Expense	1,344,822	1,605,378	1,020,839	1,663,657	817,594
Operating Taxes	209,861	249,944	320,111	498,906	645,844
Other Operating Expenses	4,352,285	5,242,034	4,908,635	6,591,603	7,733,161
Total Operating Expenses	$ 5,906,968	$ 7,097,356	$ 6,249,585	$ 8,754,166	$ 9,196,599
Net Operating Income	$ 1,232,853	$ 1,606,171	$ 352,994	$ (1,486,428)	$ (1,476,466)
Rate of Return */	22.23%	22.99%	5.75%	-27.68%	-27.60%
CUSTOMER DATA					
One Way Units	25,098	28,370	32,930	32,060	26,884
Two Way Mobile Telephone Units	1,774	1,713	1,527	1,467	1,081

*/ Ratio of net operating income to net plant.

The following five pages is a list of major activities which required extensive investigation by the Commission's auditors during 1987 and 1988.

Company	Docket	Assignment	Status at 12/31/88
RATE INCREASES			
Page-A-Phone, Inc.	U-87-7487	Rate Increase	Closed
Nashville Gas Company	U-87-7499	Rate Increase	Closed
Tennessee Water Service	U-87-7500	Rate Increase	Closed
Claiborne Telephone Co.	U-87-7508	Rate Increase	Closed
Lynnwood Utility District	U-87-7521	Increase Tap Fee	Closed
Tennessee American Water Company	U-87-7534	Rate Increase	Closed
Moore's Lane Sewerage Co., Inc.	U-87-7539	Rate Increase	Closed
Stonebrook Sewerage Co., Inc.	U-87-7541	Rate Increase	Closed
Millington Telephone Co.	U-88-7559	Rate Increase	Closed
Chattanooga Gas Company	88-01363	Rate Increase	Pending
RATE DECREASES			
South Central Bell	U-86-7443	1986 Earnings Review	Closed
South Central Bell	U-86-7443	1987 Earnings Review	Closed
All Utilities	U-86-7475	FIT Savings	Closed
Tellico Telephone Company	U-87-7532	Rate Decrease	Closed
Crockett, Peoples, WTTC Tel. Co's	U-87-7533	Earnings Review	Closed
South Central Bell	U-88-7547	1988 Earnings Review	Closed
Concord Telephone	U-88-7563	Earnings Review	Closed
Tennessee Telephone Company	U-88-7568	Earnings Review	Closed
Crockett, Peoples, WTTC & ALLTEL	U-88-7572	Earnings Review	Pending
United-Intermountain Tel.	U-88-7577	Earnings Review	Closed
South Central Bell	U-88-7594	1989 Earnings Review	Closed

Company	Docket	Assignment	Status at 12/31/88
DOCKETED TARIFFS			
South Central Bell	U-87-7488	Bellboy Tariff	Closed
All Telephone and Long Distance Carriers	U-87-7491	Access for "800" Services	Pending
AT&T	U-87-7492	Megacom	Closed
US Sprint	U-87-7512	Ultra Wats Tariff	Closed
MCI Telecommunications	U-87-7513	"800 Services"	Closed
MCI Telecommunications	U-87-7514	Prism Tariffs	Closed
South Central Bell	U-87-7524	"900" & "976" Blocking	Closed
All Independent Telco's	U-87-7527	"900" & "976" Blocking	Closed
SCB, GTS and UIMT Tel. Co.'s	U-88-7551	AOS Billing	Closed
All Telephone Companies	U-88-7555	COCOTS	Closed
South Central Bell	U-88-7560	ESSEX Package	Closed
All Telephone Companies	U-88-7587	Link-Up Tennessee	Closed
AT & T	U-88-7591	"800" Readyline	Pending
South Central Bell	U-88-7594	Metro Calling Plan	Closed
Telephone Companies	U-88-7588 U-88-7592 U-88-7596	County Seat Calling	Closed
GENERAL TARIFFS FILINGS			
	162		Closed
	62		Pending
COMPLAINTS & INQUIRIES			
	242		
	0		Closed
			Pending

Company	Docket	Assignment	Status at 12/31/88
CCN's			
Ken Gas of Byrdstown, TN.	U-87-7509	CCN	Pending
Kodak Sewer Utility District	U-87-7520	CCN	Pending
Ken-Gas at Jellico	U-87-7538	CCN	Closed
Riveria Utilities of Tennessee	U-87-7540	CCN	Pending
U. S. Central, Inc.	U-87-7542	CCN	Pending
United States Transmission	U-88-7557	CCN	Closed
Eagle Creek Resort	U-88-7573	CCN	Pending
Newport Resort Water	U-88-7581	CCN	Pending
Ken-Gas at Red Boiling Springs	U-88-7595	CCN	Closed

Company	Docket	Assignment	Status at 12/31/88
MISCELLANEOUS			
Dekalb Tel./ Pat's Mobilephone	U-87-7482	Acquisition	Closed
All Utility Companies	U-87-7525	Cont. In Aid of Construction	Closed
Part 32 FCC USOA for Telephones	U-87-7535	New USOA	Closed
FCC 86-111 Reg. vs. Nonreg.	U-87-7536	Separations	Closed
Natural Gas Industry	G-86-1	Rule Change	Pending
Telephone Industry	U-86-7466	SNI's	Pending
Telephone Industry	--	EAS Study	Pending
All Utilities	-- --	FASB - 87 FASB - 96	Closed Pending
All Long Distance Companies	U-88-7574	PIU Factor Audit	Closed
All Gas Companies	U-88-7590	Take or Pay	Pending
Chattanooga Gas Co.	U-88-7566	Merger	Closed
Nashville Gas Company	--	Management Audit	Pending
SPECIAL MULTISTATE AUDITS			
Bell Communications Research	Determine reasonableness of expenses.		Closed
BellSouth Corporation	Determine reasonableness of related party transactions.		Pending

Company	Docket	Assignment	Status at 12/31/88
COMPLIANCE AUDITS			
Ardmore Telephone Company		Compliance Audit	Closed
Concord Telephone Company		Compliance Audit	Closed
Crockett Telephone Company		Compliance Audit	Closed
Humphrey's County Telephone Co.		Compliance Audit	Closed
Nashville Gas Company		Compliance Audit	Closed
Page-A-Phone, Inc.		Compliance Audit	Closed
Peoples Telephone Company		Compliance Audit	Closed
Telecommunication Electronics Corp.		Compliance Audit	Closed
Tellico Telephone Company		Compliance Audit	Closed
Tennessee Telephone Company		Compliance Audit	Pending
United Cities Gas		PGA Compliance Audit	Pending
United Telephone Company		Compliance Audit	Closed
West Tennessee Telephone Co.		Compliance Audit	Closed

ASSESSMENT DIVISION

The Assessment Division's function is to set, on an annual basis, an equitable assessment of all property (tangible or intangible) in the State of Tennessee, owned and/or leased by all public utility and transportation companies under the State of Tennessee's jurisdiction. For 1988, this includes*: 888 Trucking Companies; 21 Railroad Companies; 82 Bus Companies; 225 Private Car Companies; 25 Airline Companies; 14 Barge Line Companies; 12 Mobiliphone Companies; 17 Pipeline Companies; 25 Electric Cooperatives; 1 Telegraph Company; 20 Long Distance Telephone Companies; 10 Telephone Cooperatives; 18 Telephone Companies; 14 Water & Sewerage; 4 Gas Companies; 3 Electric Companies; 3 Power Transmission Companies; and 11 Cellular Telephone Companies.

Subsequent to the Assessment Division's ratification of these assessments, it is a requirement of Tennessee Code Annotated, Section 67-5-1328 to file these assessments with the Tennessee State Board of Equalization (hereinafter referred to as "TSBOE") for review and final valuation. All companies assessed by the Assessment Division have the option to appeal their assessment via a hearing before the TSBOE, who has full authority to alter such assessment (whether it be an increase or decrease) as deemed appropriate.

The determination of assessments is in accordance with specific laws pertaining to each individual classification. Utility assessments are determined in accordance with Constitutional Amendment, which requires assessments at 55% of value; railroad, private car, motor carrier, motor bus, and airline assessments are determined in accordance with The Railroad Revitalization & Regulatory Act (a/k/a "The 4-R Act") of 1976, The Motor Carrier Transportation Act of 1980, and The Tax Equity & Fiscal Responsibility Act of 1982, respectively. Such acts require the real property of these companies to be assessed at 40%, and personal property at 30%. The total assessment for all companies as determined by the Assessment Division for 1988 was $2,767,444,700. This amount was equalized based upon a county-by-county ratio factor as determined for each county by the TSBOE, in accordance with the 1977 ruling by the United States District Court for the Middle District of Tennessee, Nashville Division, The Honorable L. Clure Morton, presiding.

---

* A complete assessment report is available upon special request by the interested party to the Assessment Director.

As utility and transportation companies continue to be affected by mergers, acquisitions, diversification, and legislative changes, the significance of the assessment process intensifies. Therefore, for the benefit of the Tennessee Public Service Commission, as well as for the benefit of the Assessment Division's employees, various educational opportunities are provided (e.g., schools, workshops, seminars, and conferences) through the expertise of such organizations as The International Association of Assessing Officers, American Institute of Real Estate Appraisers, National Association of Tax Administrators, Tennessee Association of Assessing Officials, and The Southern Association of State Property Tax Administrators.

Presently, the Assessment Division Staff consists of two (2) Certified Assessment Evaluators (CAE) (a professional appraisal designation from IAAO); one (1) Senior Real Property Appraiser (SRPA) (a professional appraisal designation from the Society of Real Estate Appraisers); and three (3) staff members are in the process of obtaining their professional designations, through the aforementioned educational opportunities.

THE TENNESSEE PUBLIC SERVICE COMMISSION
ASSESSMENTS FROM 1877 THROUGH 1988

Total Assessed Value of all Property Assessed for Taxation by the Tennessee Public Service Commission.

1877-78	Railroads	$ 13,757,105.85
1879-80	Railroads	16,375,894.40
1881-82	Railroads	27,016.100.12
1883-84	Railroads	31,547,292.23
1885-86	Railroads	31,547,582.01
1887-88	Railroads	32,290,302.10
1889-90	Railroads	43,789,707.74
1891-92	Railroads	38,341,488.67
1893-94	Railroads	40,703,845.50
1895-96	Railroads-Utilities	40,446,368.48
1897-98	Railroads-Utilities	50,546,129.14
1899-1900	Railroads-Utilities	56,546,129.14
1901-02	Railroads-Utilities	58,327,298.79
1903-04	Railroads-Utilities	60,602,713.29
1905-06	Railroads-Utilities	71,968,432.16
1907-08	Railroads-Utilities	87,047,269.79
1909-10	Railroads-Utilities	91,850,925.37
1913-14	Railroads-Utilities	111,757,070.29
1915-16	Railroads-Utilities	115,298,042.84
1917-18	Railroads-Utilities	122,283,134.74
1919	Railroads-Utilities	132,446,120.00
1920-21	Railroads-Utilities	272,859,649.00
1921-22	Railroads-Utilities	246,693,638.39
1923-24	Railroads-Utilities	255,576,486.93
1925-26	Railroads-Utilities	272,124,248.01
1927-28	Railroads-Utilities	284,441,185.62
1929-30	Railroads-Utilities	269,262,250.45
1931	Railroads-Utilities	286,834,959.36
1932-33	Railroads-Utilities-Motor Carriers	264,979,408.62
1934-35	Railroads-Utilities-Motor Carriers.	252,378,706.89
1936-37	Railroads-Utilities-Motor Carriers.	250,762,477.94
1938-39	Railroads-Utilities-Motor Carriers.	266,115,405.00
1940-41	Railroads-Utilities-Motor Carriers.	181,373,956.00
1942-43	Railroads-Utilities-Motor Carriers.	198,132,778.00
1944	Railroads-Utilities-Motor Carriers.	238,642,162.00
1945-46	Railroads-Utilities-Motor Carriers.	318,458,325.00
1947-48	Railroads-Utilities-Motor Carriers.	351,037,699.00
1949-50	Railroads-Utilities-Motor Carriers.	344,902,221.00
1951-52	Railroads-Utilities-Motor Carriers.	384,792,690.00
1953-54	Railroads-Utilities-Motor Carriers.	428,352,790.00
1955-56	Railroads-Utilities-Motor Carriers.	477,778,159.00
1957-58	Railroads-Utilities-Motor Carriers.	501,931,299.00
1959-60	Railroads-Utilities-Motor Carriers.	523,228,433.00
1961-62	Railroads-Utilities-Motor Carriers.	542,202,731.00
1963-64	Railroads-Utilities-Motor Carriers.	594,685,359.00
1965-66	Railroads-Utilities-Motor Carriers.	630,946,875.00
1967	Railroads-Utilities-Motor Carriers.	646,942,292.00

1968	Railroads-Utilities-Motor Carriers.	655,974,495.00
1969	Railroads-Utilities-Motor Carriers.	715,111,650.00
1970	Railroads-Utilities-Motor Carriers.	781,076,650.00
1971	Railroads-Utilities-Motor Carriers.	858,981,530.00
1972	Railroads-Utilities-Motor Carriers.	952,649,190.00
1973	Railroads-Utilities Motor Carriers.	1,247,618,300.00
1974	Railroads-Utilities-Motor Carriers.	1,355,337,500.00
1975	Railroads-Utilities-Motor Carriers.	1,461,910,400.00
1976	Railroads-Utilities-Motor Carriers.	1,544,333,200.00
1977	Railroads-Utilities-Motor Carriers.	1,318,596,498.00*
1978	Railroads-Utilities-Motor Carriers.	1,303,085,502.00*
1979	Railroads-Utilities-Motor Carriers.	1,261,372,484.00*
1980	Railroads-Utilities-Motor Carriers.	1,478,530,645.00*
1981	Railroads-Utilities-Motor Carriers.	1,383,758,500.00*
1982	Railroads-Utilities-Motor Carriers.	1,485,236,811.00**
1983	Railroads-Utilities-Motor Carriers.	1,770,085,812.00***
1984	Railroads-Utilities-Motor Carriers.	1,921,142,687.00*
1985	Railroads-Utilities-Motor Carriers.	1,907,921,249.00*
1986	Railroads-Utilities-Motor Carriers.	2,082,827,171.00*
1987	Railroads-Utilities-Motor Carriers.	2,116,445,567.00*
1988	Railroads-Utilities-Motor Carriers.	2,278,173,215.00*

*From 1977 to the present the State Board of Equalization ordered all assessments to be equalized.

**This figure does not include the personal property assessments for four (4) counties (Cannon, Lauderdale, Sevier & White) in which the State Board of Equalization has ordered this Commission to exempt the tangible personal property assessment for railroad, private car, motor carrier, motor bus and airline companies in the above named counties. The corrected assessment is not available at the time of this report.

***This figure does not include the personal property assessments for three (3) counties (Cannon, Sevier & White) and one (1) town (Town of Henning) in which the State Board of Equalization has ordered this Commission to exempt the tangible personal property assessment for railroad, private car, motor carrier, motor bus and airline companies in the above named counties. The corrected assessment is not available at the time of this report.

1987 AD VALOREM ASSESSMENT

ASSESSMENTS BY CLASSES OF PROPERTY ASSESSED FOR TAXATION PURPOSES IN TENNESSEE BY THE TENNESSEE PUBLIC SERVICE COMMISSION FOR THE YEAR 1987 ARE AS FOLLOWS:

AIRLINE COMPANIES	$ 83,556,780
BARGE LINE COMPANIES	2,281,560
ELECTRIC COOPERATIVES	213,421,690
ELECTRIC COMPANIES	15,471,350
LONG DISTANCE TELEPHONE COMPANIES	101,385,342
GAS COMPANIES	55,444,200
BUS COMPANIES	5,384,420
TRUCK COMPANIES	137,934,747
MOBILPHONE COMPANIES	6,317,220
PRIVATE CAR COMPANIES	32,580,690
PIPELINE COMPANIES	161,316,060
POWER, TRANSMISSION COMPANIES	18,391,210
RAILROAD COMPANIES	160,824,884
TELEPHONE COOPERATIVES	58,656,990
TELEGRAPH COMPANIES	1,698,560
TELEPHONE COMPANIES	1,029,069,210
WATER & SEWERAGE COMPANIES	22,605,700
CELLULAR RADIO TELEPHONE COMPANIES	10,104,954
GRAND TOTAL	$2,116,445,567

1988 AD VALOREM ASSESSMENT

ASSESSMENTS BY CLASSES OF PROPERTY ASSESSED FOR TAXATION PURPOSES IN TENNESSEE BY THE TENNESSEE PUBLIC SERVICE COMMISSION FOR THE YEAR 1988 ARE AS FOLLOWS:

AIRLINE COMPANIES	$ 119,910,204
BARGE LINE COMPANIES	3,266,250
ELECTRIC COOPERATIVES	231,289,370
ELECTRIC COMPANIES	16,360,850
LONG DISTANCE TELEPHONE COMPANIES	116,889,019
GAS COMPANIES	64,223,180
BUS COMPANIES	3,792,700
TRUCK COMPANIES	151,133,129
MOBILPHONE COMPANIES	6,009,790
PRIVATE CAR COMPANIES	33,985,050
PIPELINE COMPANIES	174,233,900
POWER TRANSMISSION COMPANIES	18,141,270
RAILROAD COMPANIES	169,531,015
TELEPHONE COOPERATIVES	65,713,400
TELEGRAPH COMPANIES	1,727,140
TELEPHONE COMPANIES	1,054,666,820
WATER & SEWERAGE COMPANIES	22,794,788
CELLULAR RADIO TELEPHONE COMPANIES	24,491,810
GRAND TOTAL	$2,278,159,685

DATA PROCESSING DIVISION

The Data Processing (DP) Division was officially established July 1, 1988, and consists of one Director and one Senior Analyst. The DP Division is charged with the effective and efficient management of agency-wide automated information resources and the development and implementation of systems which support the Commission's base objectives.

The primary responsibilities of the Data Processing Division are:

1. Monitors And Supervises The Operation Of Mainframe Applications: This encompasses the fully operational Assessment System and the newly developed WATCH System, which is currently in all phases of development, testing, training, and implementation. The Division approves and acts as liaison on all service requests to modify any aspect of the mainframe applications and on system specification reviews. Additionally, WATCH USERIDs and transaction profiles are maintained on all agency employees. As the applications are utilized on a daily basis the division is constantly involved in production reviews and the resolution of any operational problems.

2. Development Of The 3-Year Information System Plan And The Annual Resource Plan: Primarily forecasting documents, the plans detail management strategies, budgetary projections, project descriptions, and estimated expenditures as they relate to the overall management of the Commission's information resources. These estimated expenditures of project development, hardware/software purchasing or leasing, and communication interface costs play an important role in the development of the Commission's annual budget.

3. Establishes Commission Data Processing Policies And Procedures: The Division is involved in determining DP policies and operational procedures in the areas of system management, security, and disaster recovery.

4. Evaluates Microcomputer Hardware And Software: The Division Analyst examines hardware and software available for procurement and analyzes their probability of meeting a data processing need. Decides and justifies particular hardware configurations and software purchases for all divisions.

5. Develops And Upgrades In-House Microcomputer Data Base Management Systems: The Division takes requests from agency personnel to automate manual business functions or to upgrade existing microcomputer applications. After initial approval, DP personnel perform in-depth analysis, document application requirements, and develop or upgrade the PC-based data management systems as requested.

6. Maintains Microcomputer Hardware And Software Inventory: Utilizing a PC-based system, the division maintains an inventory of all microcomputer equipment (hardware and software) assigned throughout the Commission, or as of yet unassigned. The inventory records the location, personnel assigned to, serial number, equipment type, and initial order number.

7. Provides WATCH User Guides And Distribute Updates: Correlates and distributes WATCH User Guides to all system users. Tracks procedural updates, changes documentation, and redistributes guideline updates.

8. Conducts Monthly Review Of System Billing: On a monthly basis the Division Director reviews State Mainframe billing invoices for system support and actual operation costs. The primary focus is on the association of existent resources with the detailed billing categories.

9. Maintains Mainframe Resources Inventory And Monitors In-House Installation/Maintenance Requirements: The Division is required to inventory all mainframe equipment leased from the State, to forecast and request wiring requirements in conjunction with additional resources, and prior to notifying the State of a maintenance requirement to conduct user troubleshooting on inoperable equipment.

10. Committee Membership: In 1988 DP Division personnel were participating members in the Tennessee State Management of Information System Group, and the Director was elected to represent small agencies for a one-year term on the Group Steering Committee. The Director is also a member of the National Association of Regulatory Commissioners Subcommittee on Computers.

11. Training: The Division conducts training on the new WATCH State mainframe system and coordinates microcomputer training with the Commission's training coordinator. Annual estimates are made on the number of classes to be requested from the State Information Resources Training Division or outside resources.

In 1988, there were ten (10) microcomputer applications developed for support of Commission functions. Some of these were: Office Equipment Inventory, Motor Vehicle Inventory and Mileage Accountability, Railroad Intermodal Equipment Survey, Telecommunications Facility Utilization, and Telephone Log Tracking. Two applications are currently under development.

The Division currently maintains fifty (50) WATCH USERIDs for in-house personnel, and for 1988 was approved and monitored 110 mainframe software/hardware maintenance requests.

The microcomputer inventory has increased from twenty-three (23) in September 1987 to a current inventory of twenty-eight (28), an additional 13 are on order. Due to the new WATCH application, leased mainframe terminals has risen drastically from four (4) in 1987 to the current fifteen (15). An additional six (6) are scheduled to be installed at the remote scale/inspection sites in January 1989. In addition to the fifteen (15) terminals, ten (10) microcomputers are equipped with hardware and software which enables them to also function as mainframe terminals.

GAS PIPELINE SAFETY DIVISION

The Natural Gas Pipeline Safety Division has the responsibility of ensuring that the public receives from the natural gas companies a viable and safe transportation system of natural gas from the "take point," or station off the interstate transmission line, to each customer's meter; providing general technical aid pertaining to utility rules and regulations by which all gas utilities must abide; maintaining information to interested parties on the safe operations of a gas distribution system, and providing protection to the public by requiring all natural gas operators to maintain their system in accordance with the Commission's pipeline safety standards.

The Commission has total safety jurisdiction over four investor-owned natural gas distribution companies: Chattanooga Gas Company, Nashville Gas Company, United Cities Gas Company, and Hardin County Gas Company. It also has jurisdiction over 70 municipally-owned gas systems, 42 housing authorities, 20 apartment complexes, 19 gas utility districts, 17 direct sales customers from interstate transmission lines, and 12 mobile home parks. These gas systems provide service to three-quarters of a million residential customers who live and work in Tennessee and represent one-third of the state's energy needs.

The Commission's involvement with pipeline safety began in 1970, following enactment by the U.S. Congress of the Natural Gas Pipeline Safety Act of 1968, which established safety standards for gas systems. This law also allowed state agencies to participate in safety enforcement by entering into an agreement with the Federal Government to operate its Gas Safety Division. Calendar year 1988 marked the 18th year the Commission has participated in the Gas Safety Program.

The Commission's safety program is largely preventative. In 1987-1988, the Public Service Commission's five inspectors traveled over 250,000 miles and performed 1,580 separate field inspections. They found 243 safety or technical incidents. (The Commission has authority to fine operators under its jurisdiction up to $1,000 a day per violation, up to $100,000).

While inspections are an important part of the Commission's duties, the Public Service Commission also is involved in training. The PSC, in conjunction with the Tennessee Gas Association, sponsored a three-day pipeline safety seminar in Nashville, Tennessee. This is a technically-oriented program conducted for the benefit of

all natural gas operators in Tennessee, and it provides training in leak detection, plastic pipe fusion, cathodic protection, valve maintenance and other safety topics.

Although the Pipeline Safety Division is a small group consisting of highly qualified individuals, it is the only defense the public has to ensure gas lines and services are the high quality the public demands.

LEGAL DIVISION

The General Counsel's Office is under the direction of the General Counsel and three Assistant General Counsels. They are assisted by two legal secretaries and a law clerk. The responsibilities of the office include the following:

(1) Appearing as trial attorneys representing the Commission and the citizens of Tennessee in federal and state courts and in administrative proceedings before the Federal Communications Commission, the Federal Energy Regulatory Commission, and the Interstate Commerce Commission.

(2) Advising the general public and parties appearing before the Commission concerning legal matters at the agency.

(3) Participating in hearings conducted by the Commission to represent the Commission Staff and the public interest.

(4) Advising and counseling the Commission and its staff concerning legal issues.

(5) Appearing before the State Board of Equalization and the courts in defense of the ad valorem tax assessments established by the Commission.

(6) Representing the Commission in legislative proceedings in the United States Congress and the Tennessee General Assembly.

During the past two years, the General Counsel's office, in addition to the discharge of its routine duties, has made more than 400 Commission and Court appearances. The General Counsel and his Assistants for the past two years have written more than six hundred orders pertaining to motor carriers, railroads, utilities, show cause and miscellaneous matters. The following is an abstract of the orders written by the Legal Division during the past years of 1987-1988:

1987-1988	SMC	MC	R	U	MISC.	TOTAL
January	4	27	4	40	2	77
February	2	15	7	22		46
March	1	27	3	18		49
April	6	27	5	19	2	59
May	1	20	9	22		52
June	6	28	4	17	1	56
July	3	29	7	24		63
August		11	7	14	1	33
September	1	22	2	24		49
October	5	24	14	17		60
November	1	22	2	20	1	46
December		30	2	2		34
Total	30	282	66	239	7	624

MOTOR CARRIER DIVISION

The Motor Carrier Division has power under T.C.A. Section 65-1507 and 65-1510 to grant operating authority to motor carriers and contract haulers operating within the State. THe Motor Carrier Division is responsible for the physical processing of the application for new authority from the time the application is received until a final order is rendered either granting or denying a Certificate of Convenience and Necessity. The Division is responsible for reviewing an application to see that the proper information is filed; a hearing is set; proper notice is given; and the final order is distributed. The Division also assists in the technical analysis of the information submitted with the application for new authority.

There was a total of 91 applications processed in 1987 and 88 year-to-date in 1988. There were 11 petitions and 9 applications for Emergency Temporary Authority. In 1987 there was a total of 6 petitions and 18 applications for Emergency Temporary Authority.

For the period of January 1, 1987 through December 31, 1987, there was a total of 17,593 motor carriers registered with the Commission. 8,520 were regulated trucking companies, 881 were regulated bus companies. There were 7,630 exempt-for-hire companies, 482 intrastate trucking companies and 80 intrastate bus companies. The Division issued a total of 504,610 permit stamps and 8,839 trip permits and temporary wires during this period. Year-to-date in 1988, there are 23,094 registered motor carriers, 13,233 regulated trucking companies, 806 bus companies, 8,440 exempt-for-hire companies, 520 intrastate trucking companies and 95 intrastate bus companies. Permit stamps issued year-to-date in 1988 are 501,368 with 8,350 trip permits and wires.

Motor Carrier Division personnel conduct investigations of truck related accidents and hazardous materials incidents when notified by and/or requested by Department of Safety, Tennessee Emergency Management Agency or other enforcement organizations. In 1987 PSC officers responded to 333 accidents and/or incidents and 369 year-to-date for 1988. Motor Carrier investigators conduct audits of carriers and investigate both economic and safety complaints and in 1988 were involved in 108 economic investigations and 39 safety investigations as well as 157 audits. In 1987 there were 92 economic investigations, 39 safety investigations and 147 audits.

The Motor Carrier Division is comprised of 176 employees. There is a total of 143 enforcement personnel, 20 administrative employees, 2 homemade trailer inspectors, 6 motor carrier investigators, 1 motor carrier trainer, 1

drug and alcohol specialist, 2 managers, and 1 director. The Motor Carrier Division enforcement personnel have the responsibility of enforcing both safety and economic regulations of the Motor Carrier Act. During the 1987 calendar year the enforcement officers performed the following:

Driver-Equipment Inspections: 89,652
Out-of-Service Units: 50,121
Citations: 24,187

Economic Violations: 5,556
Safety Violations: 465,724
Hazardous Materials Violations: 901

The totals for 1988 are as follows:

Driver-Equipment Inspections: 101,944
Out-of-Service Units: 49,233
Citations: 28,936

Economic Violations: 5,771
Safety Violations: 484,686
Hazardous Materials Violations: 1,389

RAILROAD DIVISION

The Railroad Division is responsible for the general supervision and regulation of the Railroads operating in the State of Tennessee. Included in this responsibility is the inspection of all new construction or expansion of rail facilities to determine their compliance with minimum clearance requirements, as well as walkway requirements set forth by the Commission. Further, all railroad accidents resulting in fatalities and major derailments are investigated by this Division. Investigations of rail accidents/incidents resulting in the release of hazardous materials or derailments and damage to any railcar containing hazardous materials are conducted by this Division.

The Railroad Division participates in the Federal/State Railroad Safety Inspection Program and has Federal Railroad Administration Certified Inspectors in the Motive Power and Equipment, Operating Practices and Track Disciplines. There is also a Signalization Inspector in training.

This Division also investigates numerous complaints registered by Rail Labor Organizations, other State and Local Governments and concerned citizens regarding unsafe and unsanitary conditions existing on the rights-of-way railroads operating within the State.

As of December 31, 1988, there were six Class I Railroads, one Regional Railroad and thirteen Short Line Railroads operating within the State. These twenty railroads have a total of approximately 3,117 miles of main and branch line track and approximately 1,458 miles of other track.

Class I Railroads

Burlington Northern Railroad Company
CSX Transportation, Inc. (formerly "Seaboard System")
Illinois Central Railroad Company
Norfolk Southern Corporation ("Southern Railway Co.")
St. Louis-Southwestern Railway Co. ("Southern Pacific")
Union Pacific Railroad Co. (formerly the "Missouri Pacific")

Short Line & Regional Railroads

Caney Fork & Western Railroad, Inc.
Corinth & Counce Railroad Company
R.J. Corman Railroad Company
East Tennessee Railway Corp.
KWT Railway, Inc.
McCormick, Ashland City, & Nashville Railroad Co.

Nashville & Eastern Railroad Corp.
Natchez Trace Railroad
Sequatchie Valley Railroad Co., Inc.
South Central Tennessee Railroad Co.
SouthRail Corp.
TennKen Railroad Co., Inc.
Walking Horse & Eastern Railroad Co., Inc.
West Tennessee Railroad Corp.

Data For January 1, 1987 through December 31, 1988

Accident Reports Filed: 164
Formal Complaints Handled: 149
Daily Inspections Made: 2,757
Show Cause Orders:
Issued: 1 Pending: 1 Dismissed: 2 Heard: 2

Applications For Minimum Clearances:
Filed: 1 Granted: 2 Pending: 0

Petitions (Misc.):
Filed: 48 Granted: 41 Pending: 5
Withdrawn: 6

TELECOMMUNICATION DIVISION

The Telecommunication Division's function is to assist in the review and evaluation of applications for new utility franchises or expansion, perform special investigations of utility problems and service evaluations requiring engineering skills, review and approve new construction plans for utility companies, provide technical assistance to the Commissioners and other Divisions, participate in telephone rate cases, develop and review depreciation rates, help analyze REA Loan applications, and advise the Commission on telephone engineering matters.

The primary duties of the Telecommunication Division are more fully presented below:

(1) Review of construction plans and results.
(2) Construction estimate approval.
(3) Depreciation studies for regulated utilities.
(4) General technical aid.
(5) Providing information to interested parties.
(6) Rate cases.
(7) Service evaluation.
(8) Performing reviews.

(1) In completing the annual review of construction plans and results for each utility under the Commission's jurisdiction, we review annual reports for plant additions, retirements, customer growth, average net plant investment, and average depreciation reserve.

We visit the companies and obtain data on major projects completed during the past year, major projects planned for this year, digital conversion schedule for telephone companies, level of held orders, total coming year's planned capital expenditures for all accounts, total coming year's planned retirements for all accounts, total coming year's projected depreciation expense, and significant changes anticipated in revenue or expense for the coming year. We review all projects completed during the past year for compliance with TPSC Rule 1220.4.1.01. The Division conducted 48 construction audits during 1987 and 48 during 1988.

(2) The Division reviews and approves all construction projects with gross additions over a specified dollar limit for each utility under the Commission's jurisdiction. Each project requiring Commission approval is submitted to the Telecommunication Division and forwarded to the Communication Analyst for analyzation and

approval. The Analyst checks the plans and studies to see that applicable rules, regulations, and statutes are complied with and that the latest technical developments are being incorporated into design where necessary, feasible and economical. Once approved the estimates are returned to the Director of Telecommunication for final review and transmitted back to the utilities. The Division analyst follows the progress of selected projects by making field inspections. The Division reviewed 397 construction estimates during 1987 and 254 during 1988.

(3) The Director-Telecommunication assists the Accounting Division on completing the review and making recommendations for REA Loans and Depreciation Rates. Data submitted by the utilities and data supplied by this Division's programs are used to complete this task. The Division make recommendations for 5 Depreciation Studies and 3 REA Loans in 1987 and 5 Depreciation Studies and 2 REA Loans in 1988.

(4) General technical aid provided to the Commissioners and to other Divisions of the Commission as required. Provisions are contained in the utility rules and regulations for codes by which all utilities must abide. Technical interpretation of these codes is the responsibility of the Division.

(5) Providing information to interested parties is done continually by the Division. Questionnaires from many sources are received, completed and returned on a variety of topics, and presentations to seminars and conferences are made.

(6) In rate cases, the Division reviews planning and engineering procedures, physical plant conditions, equipment and installation costs, service levels, completes transmission tests, prepares questions for cross-examination of company witnesses, and presents expert testimony. The division presented testimony for 2 rate cases during 1987 and 1 rate case in 1988.

(7) Telephone service evaluation involving special problems encountered by customers are completed where technical assistance is required. The Division handled 16 Special Investigations during 1987 and 34 in 1988, made 170 subscriber Opinion Survey calls during 1987 and 99 in 1988, completed Facility Inspection and Tests at 97

customer locations in 1987 and 72 in 1988, and completed 26 Central Office Inspection and Tests in 1987 and 18 in 1988.

(8) Performance reviews are conducted as assigned by the Director and in association with rate hearings. After the review is complete, the Analyst will submit a statement of positive and negative findings on the results of the Construction Audit, Utilization Audit, Subscriber Opinion Survey, Facility Inspection and Test, Central Office Inspection and Test, Complaint Levels, Trouble Reports, Telephone Company Line Insulation Test, Installation Commitments and Service Interruptions. Three Performance Reviews were completed in 1987 and One in 1988.

The Telecommunication Division consists of one Director, one Secretary, one Communication Analyst--East Tennessee; one Communication Analyst--Middle Tennessee; and one Communication Analyst--West Tennessee for 1987 and one Director, one Secretary and one Analyst for 1988.

TRANSPORTATION RATE DIVISION

The Transportation Rate Division is responsible for analyzing the revenue requirements and maintaining tariffs of over 400 intrastate carriers.

All regulated carriers are required to charge reasonable and non-discriminatory rates. Proposed changes in rates are analyzed in light of both the carrier and the public. To assure both interests are represented, carriers are required to give shippers advanced notice of increases and file verifiable financial information justifying the changes. If the change is not protested and justified the proposal is allowed to go into effect. When a proposal is protested or unjustified the proposal is either modified or suspended.

In 1987, the Commission required all carriers to consolidate tariffs. Individual tariffs for rate conference members were cancelled to eliminate duplication of published rates. In 1987, 259 tariff filings affecting services and rates were processed. In 1988, 274 filings were processed.

General commodity carriers were granted rate relief in 1987. Members of the Southern Motor Carriers Rate Conference were allowed to increase rates by 4 and 1/2 percent. Minimum charges and rates for shipments of less than 1,000 pounds were revised. In conjunction with the rate relief, the Commission placed a moratorium on new discounts.

Bus passenger fares were increased by 10% under the Bus Reform Act of 1982. In 1987, Greyhound and Trailways combined operations. Under the combination some schedules were eliminated; however, no routes were eliminated.

UTILITY SERVICE DIVISION

The Utility Service Division performs the staff work in the regulation of public utilities concerning service. This includes the investigation of all complaints received from customers concerning telephone, electric, gas, water, sewerage, mobilphone and long distance companies which are regulated by the Public Service Commission. The Utility Service Division also conducts service hearings, community meetings, service audits, and offers testimony at rate hearings regarding the quality of service.

The Public Service Commission regulates nineteen (19) telephone companies, one (1) electric company, four (4) gas companies, ten (10) water companies, four (4) sewerage companies, and ten (10) mobilphone companies, and four (4) long distance companies.

Pursuant to T.C.A. Section 7-82-102, the Public Service Commission has only limited jurisdiction over utility districts. Moreover, the Public Service Commission cannot initiate an investigation of a utility district relative to rate and/or service until a petition is filed with the Commission by at least ten (10) percent of the residents within the authorized area of the public utility district.

The Utility Service Division is comprised of a director, one secretary, one stenographer, and six field investigators. In November 1985, the Division reduced its staff of field investigators from nine to six. The Utility Service Division has field investigators stationed in Jackson, Memphis, McMinnville, Nashville, Church Hill and Knoxville.

Every complaint received in the Utility Service Division is assigned to an investigator for a comprehensive investigation. Moreover, the utility company against whom the complaint was filed is also required to conduct an investigation, and report its findings to the Utility Service Division. The findings of both investigations are reviewed by the Director for a final disposition.

Another function of the Utility Service Division is a consumer survey program. The purpose of this program is to determine the quality of service utility customers are receiving throughout the state. The investigator selects utility customers and conducts tests. The findings of each investigator are submitted to the Director's office for evaluation and appropriate action.

The Division also conducts tests of telephone equipment. This program involves the field investigator making test calls from various business and residential main stations to other business and residential main stations within the same exchange.

Also, test calls are made between exchanges to determine the adequacy of trunk lines. The public coin telephone investigation program is another function of the Utility Service Division.

We are experiencing a steadily increasing number of calls related to the recent prevalence of consumer problems with Customer Owned Coin Operated Telephones (COCOTS) and Alternative Operator Service (AOS) companies.

The Utility Service Division's investigators test telephone subscribers' equipment which facilitates determining responsibility for subscriber outage.

The Utility Service Division receives petitions from telephone subscribers requesting to enlarge their calling scope, and then investigates the feasibility of the telephone company to provide extended area service (EAS), and then conduct hearings concerning same.

FORMAL COMPLAINTS HANDLED AND INVESTIGATED BY THE UTILITY SERVICE DIVISION

	1984	1985	1986	1987	1988
TELEPHONE	1,883	1,507	1,495	1,410	1,226
WATER	73	53	45	33	33
SEWERAGE	0	0	0	0	0
ELECTRIC	21	16	13	14	12
GAS	62	42	54	100	72
MOBILPHONE	1	1	0	1	2
LONG DISTANCE COMPANIES	61	55	79	90	87
SPECIAL INVESTIGATIONS	493	355	197	152	184
INQUIRIES*	0	0	3,600	3,677	6,297

OTHER FUNCTIONS AND PROGRAMS OF THE UTILITY SERVICE DIVISION

COMMISSION HEARINGS HELD IN FRANCHISED AREAS OF UTILITY COMPANIES.....	25	10	10	10	11
SERVICE MEETINGS HELD IN FRANCHISED AREAS OF UTILITY COMPANIES.....	1	1	1	4	2
CONSUMER SURVEY INTERVIEWS.....	275	85	70	152	16
TEST CALLS.....	15,605	13,512	10,540	9,582	11,498
PUBLIC PHONE INSPECTIONS....	11,102	9,391	10,225	10,456	8,632

*The Utility Service Division did not keep record of inquiries until 1986.